

TOWNSHIP OF WORTH  
Sanilac County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2007

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Worth	<b>County</b> Sanilac
<b>Audit Date</b> March 31, 2007	<b>Opinion Date</b> June 1, 2007	<b>Date Accountant Report Submitted to State:</b> June 8, 2007	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

<b>We have enclosed the following:</b>	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASL GU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF WORTH  
Sanilac County, Michigan

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# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

June 1, 2007

To the Township Board  
Township of Worth  
Sanilac County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Worth, Sanilac County, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Worth's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Worth, Sanilac County, Michigan as of March 31, 2007, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., PC*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF WORTH  
Sanilac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2007

FINANCIAL HIGHLIGHTS

Worth Township's financial status remained stable over the last year. On March 31, 2007, net assets for governmental activities totaled \$3,865,810.29. Overall total capital assets remained approximately the same.

Overall revenues were \$1,527,711.30 from governmental activities. Governmental activities had a \$27,107.88 decrease in net assets.

Worth Township did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General, Liquor Enforcement, Public Improvement, Building Department, Street Lighting, Trash Collection, Debt Service and Capital Projects Funds.

TOWNSHIP OF WORTH  
Sanilac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2007

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund, Liquor Enforcement, Public Improvement, Building Department, Street Lighting, Trash Collection, Debt Service and Capital Projects Funds.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains strong.

The LWTUA Water System Bonds, Series 1998 are due to be expired in 2018 incurred current year principal payments of \$30,870.00.

The LWTUA Water System Improvement Project Series 2000a and due to be expired in 2020 incurred current year principal payments of \$475,000.00.

The Capital Improvement Bond for the Township Hall established in 2002 and due to be expired in 2017 incurred current year principal payments of \$20,000.00.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services with total expenditures of \$444,298.65.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$9,404.44 in capital assets this year.

The Township's governmental activities paid \$525,870.00 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Supervisor, Clerk, or Treasurer at P.O. Box 248, Lexington, Michigan 48450, or by calling (810)359-8852 during the hours of 9:00 a.m. and 4:00 p.m. Monday through Thursday.

TOWNSHIP OF WORTH  
Sanilac County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2007

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	3 488 351 22
Investments	24 500 70
Taxes receivable	21 138 39
Accounts receivable	54 052 00
Special assessments receivable	<u>4 354 840 27</u>
Total Current Assets	<u>7 942 882 58</u>
NON-CURRENT ASSETS:	
Capital Assets	10 622 273 83
Less: Accumulated Depreciation	<u>(2 830 469 02)</u>
Total Non-current Assets	<u>7 791 804 81</u>
TOTAL ASSETS	<u>15 734 687 39</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Deferred revenue	<u>4 260 657 10</u>
Total Current Liabilities	<u>4 260 657 10</u>
NON-CURRENT LIABILITIES:	
Bonds payable	280 000 00
Contracts payable	<u>7 328 220 00</u>
Total Non-current Liabilities	<u>7 608 220 00</u>
Total Liabilities	<u>11 868 877 10</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	183 584 81
Restricted for debt service	2 927 543 09
Unrestricted	<u>754 682 39</u>
Total Net Assets	<u>3 865 810 29</u>
TOTAL LIABILITIES AND NET ASSETS	<u>15 734 687 39</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WORTH  
Sanilac County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2007

		<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	70 563 89	-	(70 563 89)
General government	166 761 43	136 454 14	(30 307 29)
Public safety	214 897 11	40 899 00	(173 998 11)
Public works	656 259 46	91 078 83	(565 180 63)
Interest on long-term debt	<u>446 337 29</u>	<u>776 808 06</u>	<u>330 470 77</u>
Total Governmental Activities	<u>1 554 819 18</u>	<u>1 045 240 03</u>	<u>(509 579 15)</u>
General Revenues:			
Property taxes			100 861 28
State revenue sharing			281 926 50
Interest			89 838 82
Miscellaneous			<u>9 844 67</u>
Total General Revenues			<u>482 471 27</u>
Change in net assets			(27 107 88)
Net assets, beginning of year			<u>3 892 918 17</u>
Net Assets, End of Year			<u>3 865 810 29</u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF WORTH  
Sanilac County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
March 31, 2007

	<u>General</u>	<u>Water #2 Debt Service</u>	<u>Other Funds</u>	<u>Total</u>
<u>Assets</u>				
Cash on hand	289 638 70	2 810 683 50	384 878 30	3 485 200 50
Investments	-	24 500 70	-	24 500 70
Taxes receivable	21 138 39	-	-	21 138 39
Accounts receivable	54 052 00	-	-	54 052 00
Special assessments receivable	-	4 113 128 65	241 711 62	4 354 840 27
Due from other funds	-	2 325 70	52 840 29	55 165 99
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>364 829 09</u>	<u>6 950 638 55</u>	<u>679 430 21</u>	<u>7 994 897 85</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Due to other funds	3 071 05	-	48 944 22	52 015 27
Deferred revenue	-	4 025 876 78	234 780 32	4 260 657 10
Total liabilities	<u>3 071 05</u>	<u>4 025 876 78</u>	<u>283 724 54</u>	<u>4 312 672 37</u>
Fund equity:				
Fund balances:				
Reserved	-	2 924 761 77	2 781 32	2 927 543 09
Unreserved:				
Undesignated	361 758 04	-	392 924 35	754 682 39
Total fund equity	<u>361 758 04</u>	<u>2 924 761 77</u>	<u>395 705 67</u>	<u>3 682 225 48</u>
Total Liabilities and Fund Equity	<u>364 829 09</u>	<u>6 950 638 55</u>	<u>679 430 21</u>	<u>7 994 897 85</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WORTH  
Sanilac County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2007

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS 3 682 225 48

Amounts reported for governmental activities in the statement of  
net assets are different because –

Capital assets used in governmental activities are not financial resources and  
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost	10 622 273 83
Accumulated depreciation	(2 830 469 02)

Long-term debt liabilities are not due and payable in the current period and  
therefore are not reported in the governmental funds:

Bonds payable	(280 000 00)
Contracts payable	<u>(7 328 220 00)</u>

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES 3 865 810 29

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WORTH  
Sanilac County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS BALANCES-  
GOVERNMENTAL FUNDS  
Year ended March 31, 2007

	<u>General</u>	<u>Water #2 Debt Service</u>	<u>Other Funds</u>	<u>Total</u>
Revenues:				
Property taxes	100 861 28	-	-	100 861 28
Licenses and permits	19 445 46	-	40 899 00	60 344 46
State revenue sharing	274 357 00	-	7 569 50	281 926 50
Charges for services - PTAF	42 494 25	-	-	42 494 25
Charges for services - other	74 514 43	-	-	74 514 43
Interest	9 401 79	70 304 35	10 132 68	89 838 82
Special assessments	21 578 50	754 943 52	91 364 87	867 886 89
Miscellaneous	9 844 67	-	-	9 844 67
Total revenues	<u>552 497 38</u>	<u>825 247 87</u>	<u>149 966 05</u>	<u>1 527 711 30</u>
Expenditures:				
Legislative				
Township Board	70 563 89	-	-	70 563 89
General government:				
Supervisor	16 531 27	-	-	16 531 27
Elections	4 199 27	-	-	4 199 27
Assessor	45 287 39	-	-	45 287 39
Clerk	24 896 72	-	-	24 896 72
Board of Review	1 527 65	-	-	1 527 65
Treasurer	30 598 19	-	-	30 598 19
Building and grounds	10 211 61	-	-	10 211 61
Public safety:				
Law enforcement	48 304 40	-	-	48 304 40
Fire protection	57 362 35	-	-	57 362 35
Protective inspection	-	-	51 154 61	51 154 61
Planning and zoning	22 220 25	-	-	22 220 25
Ambulance	35 855 50	-	-	35 855 50
Public works:				
Highways and streets	45 218 87	-	18 883 34	64 102 21
Street lights	9 718 74	-	8 472 60	18 191 34
Sanitation	-	-	15 960 00	15 960 00
Weed control	15 467 50	-	-	15 467 50
Watershed	-	-	14 038 47	14 038 47
Sewer	-	-	26 059 94	26 059 94
Capital outlay	6 335 05	-	3 069 39	9 404 44
Debt service	-	879 871 93	92 335 36	972 207 29
Total expenditures	<u>444 298 65</u>	<u>879 871 93</u>	<u>229 973 71</u>	<u>1 554 144 29</u>
Excess (deficiency) of revenues over expenditures	<u>108 198 73</u>	<u>(54 624 06)</u>	<u>(80 007 66)</u>	<u>(26 432 99)</u>
Other financing sources (uses):				
Operating transfers in	-	-	61 362 46	61 362 46
Operating transfers out	(35 225 00)	-	(26 137 46)	(61 362 46)
Total other financing sources (uses)	<u>(35 225 00)</u>	<u>-</u>	<u>35 225 00</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WORTH  
Sanilac County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS BALANCES-  
GOVERNMENTAL FUNDS  
Year ended March 31, 2007

	<u>General</u>	<u>Water #2 Debt Service</u>	<u>Other Funds</u>	<u>Total</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	72 973 73	(54 624 06)	(44 782 66)	(26 432 99)
Fund balances, April 1	<u>288 784 31</u>	<u>2 979 385 83</u>	<u>440 488 33</u>	<u>3 708 658 47</u>
Fund Balances, March 31	<u><u>361 758 04</u></u>	<u><u>2 924 761 77</u></u>	<u><u>395 705 67</u></u>	<u><u>3 682 225 48</u></u>

TOWNSHIP OF WORTH  
Sanilac County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended March 31, 2007

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (26 432 99)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(535 949 33)
Capital Outlay	9 404 44

Repayment of debt principal is an expenditure in the governmental funds, the  
repayment does not have an effect in the statement of activities but does  
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	<u>525 870 00</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>(27 107 88)</u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WORTH  
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Worth, Sanilac County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Worth. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Joint Venture

The Townships of Lexington and Worth jointly formed the Lexington-Worth Township's Utilities Authority on April 3, 1997, to provide water services for the two entities. The joint venture of the Township is not considered a part of the reporting entity of the Township. The Authority is separately audited by other auditors. Separate financial statements of the joint venture should be obtained directly from the Authority at 7227 Huron Avenue in Lexington, Michigan.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

TOWNSHIP OF WORTH  
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Capital Projects Funds

These funds are used to account for acquisition or construction of major capital facilities other than those financed by proprietary fund expenditures.

Debt Service Funds

These funds are used to record the funding of principal and interest on long-term debt.

Fiduciary Funds

The Current Tax Collection and Agency Funds are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

TOWNSHIP OF WORTH  
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2006 tax roll millage rate was .6616 mills, and the taxable value was \$151,891,740.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$150.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	20 years
Equipment	2-10 years
Water system	20 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.



TOWNSHIP OF WORTH  
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated five banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>3 492 233 22</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

TOWNSHIP OF WORTH  
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 3 – Deposits and Investments (continued)

	<u>Bank Balances</u>
Insured (FDIC)	464 742 68
Uninsured and Uncollateralized	<u>3 072 619 82</u>
Total Deposits	<u>3 537 362 50</u>

The Township did not have any investments as of March 31, 2007.

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

<u>Investment Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
Risk-Categorized:				
Operating Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Risk-Categorized Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonrisk-Categorized:				
Financial Institution Pooled Funds				<u>24 500 70</u>
Total Investments				<u>24 500 70</u>

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

TOWNSHIP OF WORTH  
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

**Note 4 – Capital Assets**

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/06	Additions	Deletions	Balance 3/31/07
<u>Governmental Activities:</u>				
Land	500 00	1 115 00	-	1 615 00
Buildings	585 000 00	-	-	585 000 00
Equipment	95 789 39	8 289 44	-	104 078 83
Water system	9 931 580 00	-	-	9 931 580 00
Total	10 612 869 39	9 404 44	-	10 622 273 83
Accumulated Depreciation	(2 294 519 69)	(535 949 33)	-	(2 830 469 02)
Net Capital Assets	8 318 349 70	(526 544 89)	-	7 791 804 81

**Note 5 – Interfund Receivables and Payables**

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Water #1 Debt Service	18 935 14	Water #2 Construction	18 935 14
Great Lakes Shores	825 02	Current Tax Collection	825 02
Water #2 Debt Services	2 325 70	Current Tax Collection	2 325 70
Water #1 Construction	30 009 08	Water #1 Debt Service	30 009 08
Total	52 094 94	Total	52 094 94

**Note 6 – Building Permits**

As of March 31, 2007, the Township had building permit revenues of \$40,899.00 and building permit expenses of \$51,154.61.

**Note 7 – Changes in Long-Term Debt**

The summary of changes in long-term debt follows:

	Balance 4/1/06	Additions	Deductions	Balance 3/31/07
Hall bonds payable – 2002	300 000 00	-	20 000 00	280 000 00
Contract payable – 2001	750 000 00	-	50 000 00	700 000 00
Contract payable – 2000	6 525 000 00	-	425 000 00	6 100 000 00
Contract payable – 1998	559 090 00	-	30 870 00	528 220 00
Total	8 134 090 00	-	525 870 00	7 608 220 00

TOWNSHIP OF WORTH  
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

Note 8 – Hall Bonds Payable – 2002

On August 29, 2002, the Township of Worth sold its bonds in the amount of \$350,000.00 to fund the construction of a new Township Hall. As of March 31, 2007, the outstanding principal balance on the bonds were \$280,000.00.

<u>Due Date</u>	<u>Principal Amount</u>
6-1-07	20 000 00
6-1-08	20 000 00
6-1-09	20 000 00
6-1-10	25 000 00
6-1-11	25 000 00
6-1-12	25 000 00
6-1-13	25 000 00
6-1-14	30 000 00
6-1-15	30 000 00
6-1-16	30 000 00
6-1-17	30 000 00
Total	<u>280 000 00</u>

Note 9 – Contract Payable – 2001

On December 1, 2001, the County of Sanilac sold its bonds in the amount of \$950,000.00 to fund the Sanilac County Water System Improvement Project Phase II Series 2001. The Township of Worth has agreed to pay amounts to the County to cover the bond principal and interest payments as they come due. The Township has pledged its full faith and credit to secure the payments to the County. As of March 31, 2007, the outstanding principal balance on the contract payable was \$700,000.00

<u>Due Date</u>	<u>Principal Amount</u>
5-1-07	50 000 00
5-1-08	50 000 00
5-1-09	50 000 00
5-1-10	50 000 00
5-1-11	50 000 00
5-1-12	50 000 00
5-1-13	50 000 00
5-1-14	50 000 00
5-1-15	50 000 00
5-1-16	50 000 00
5-1-17	50 000 00
5-1-18	50 000 00
5-1-19	50 000 00
5-1-20	50 000 00
Total	<u>700 000 00</u>

TOWNSHIP OF WORTH  
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

Note 10 – Contract Payable – 2001

On June 1, 2000, the County of Sanilac sold its bonds in the amount of \$8,225,000.00 to fund the Sanilac County Water System Improvement Project Phase II Series 2000. The Township of Worth has agreed to pay amounts to the County to cover the bond principal and interest payments as they come due. The Township has pledged its full faith and credit to secure the payments to the County. As of March 31, 2007, the outstanding balance on the contract payable was \$6,100,000.00.

<u>Due Date</u>	<u>Principal Amount</u>
5-1-07	425 000 00
5-1-08	425 000 00
5-1-09	425 000 00
5-1-10	425 000 00
5-1-11	425 000 00
5-1-12	425 000 00
5-1-13	425 000 00
5-1-14	425 000 00
5-1-15	450 000 00
5-1-16	450 000 00
5-1-17	450 000 00
5-1-18	450 000 00
5-1-19	450 000 00
5-1-20	450 000 00
Total	<u>6 100 000 00</u>

Note 11 – Contract Payable – 1998

On December 9, 1998, the County of Sanilac sold its bonds in the amount of \$1,030,000.00, to fund the Sanilac County Water System Improvement Project. The Township of Worth is responsible for 68.6% of the project which amounted to \$706,580.00 and the Township of Lexington is responsible for 31.4% of the project, which amounted to \$323,420.00. The Townships have agreed to pay amounts to the County to cover the bond principal and interest payments as they come due. The Townships have pledged their full faith and credit to secure payments to the County. As of March 31, 2007, Worth Township's outstanding principal balance on the contract payable was \$528,220.00.

<u>Due Date</u>	<u>Principal Amount</u>
5-1-07	34 300 00
5-1-08	34 300 00
5-1-09	37 730 00
5-1-10	41 160 00
5-1-11	41 160 00
5-1-12	44 590 00
5-1-13	44 590 00
5-1-14	48 020 00
5-1-15	48 020 00
5-1-16	51 450 00
5-1-17	51 450 00
5-1-18	51 450 00
Total	<u>528 220 00</u>

TOWNSHIP OF WORTH  
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

Note 12 – Pension Plan

The Township does not have a pension plan.

Note 13 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 14 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 15 – Operating Transfers

The amounts of interfund transfers are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Water #1 Debt Service	26 137 46	Water #1 Construction	26 137 46
Hall Bond Debt Service	35 225 00	General	35 225 00
Total	61 362 46		61 362 46

TOWNSHIP OF WORTH  
Sanilac County, Michigan

BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND

Year ended March 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	95 500 00	95 500 00	100 861 28	5 361 28
Licenses and permits	13 550 00	13 550 00	19 445 46	5 895 46
State revenue sharing	278 240 00	278 240 00	274 357 00	(3 883 00)
Charges for services	48 330 00	48 330 00	42 494 25	(5 835 75)
Charges for services - other	39 800 00	39 800 00	74 514 43	34 714 43
Interest	3 750 00	3 750 00	9 401 79	5 651 79
Special assessments	27 000 00	27 000 00	21 578 50	(5 421 50)
Miscellaneous	3 450 00	3 450 00	9 844 67	6 394 67
Total revenues	<u>509 620 00</u>	<u>509 620 00</u>	<u>552 497 38</u>	<u>42 877 38</u>
Expenditures:				
Legislative:				
Township Board	70 600 00	74 600 00	70 563 89	(4 036 11)
General government:				
Supervisor	18 200 00	18 200 00	16 531 27	(1 668 73)
Elections	4 950 00	4 950 00	4 199 27	(750 73)
Assessor	41 250 00	45 288 00	45 287 39	(61)
Clerk	26 650 00	26 650 00	24 896 72	(1 753 28)
Board of Review	2 350 00	2 350 00	1 527 65	(822 35)
Treasurer	25 850 00	30 599 00	30 598 19	(81)
Building and grounds	10 250 00	12 749 00	10 211 61	(2 537 39)
Cemetery	400 00	400 00	-	(400 00)
Public safety:				
Law enforcement	50 050 00	50 865 00	48 304 40	(2 560 60)
Fire protection	55 000 00	58 000 00	57 362 35	(637 65)
Planning and zoning	30 450 00	30 450 00	22 220 25	(8 229 75)
Ambulance	28 500 00	36 500 00	35 855 50	(644 50)
Public works:				
Highways and streets	86 000 00	78 685 00	45 218 87	(33 466 13)
Street lights	12 000 00	12 000 00	9 718 74	(2 281 26)
Weed control	19 000 00	19 000 00	15 467 50	(3 532 50)
Contingency	30 000 00	10 214 00	-	(10 214 00)
Capital outlay	41 975 00	41 975 00	6 335 05	(35 639 95)
Total expenditures	<u>553 475 00</u>	<u>553 475 00</u>	<u>444 298 65</u>	<u>(109 176 35)</u>
Excess (deficiency) of revenues over expenditures	<u>(43 855 00)</u>	<u>(43 855 00)</u>	<u>108 198 73</u>	<u>152 053 73</u>
Other financing sources (uses):				
Operating transfers out	-	-	(35 225 00)	(35 225 00)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(35 225 00)</u>	<u>(35 225 00)</u>

TOWNSHIP OF WORTH  
Sanilac County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(43 855 00)	(43 855 00)	72 973 73	116 828 73
Fund balance, April 1	<u>203 106 38</u>	<u>253 106 00</u>	<u>288 784 31</u>	<u>35 678 31</u>
Fund Balance, March 31	<u>159 251 38</u>	<u>209 251 00</u>	<u>361 758 04</u>	<u>152 507 04</u>



TOWNSHIP OF WORTH  
Sanilac County, Michigan

BUDGETARY COMPARISON SCHEDULE – WATER #2 DEBT SERVICE FUND  
Year ended March 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Interest	44 739 60	44 740 00	70 304 35	25 564 35
Special Assessments	644 410 49	644 410 00	754 943 52	110 533 52
Total revenues	689 150 09	689 150 00	825 247 87	136 097 87
Expenditures:				
Debt service	879 921 88	879 922 00	879 871 93	(50 07)
Total expenditures	879 921 88	879 922 00	879 871 93	(50 07)
Excess (deficiency) of revenues over expenditures	(190 771 79)	(190 772 00)	(54 624 06)	136 147 94
Fund balance, April 1	2 495 482 10	2 495 482 00	2 979 385 83	483 903 83
Fund Balance, March 31	2 304 710 31	2 304 710 00	2 924 761 77	620 051 77

TOWNSHIP OF WORTH  
Sanilac County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS  
March 31, 2007

	<u>Public Improvement</u>	<u>Liquor Law Enforcement</u>	<u>Great Lakes Shores</u>	<u>Birch Beach</u>
<u>Assets</u>				
Cash in bank	78 214 09	3 131 95	21 069 87	4 138 41
Special Assessments receivable	-	-	2 803 79	205 20
Due from other funds	-	-	3 896 07	-
Total Assets	<u>78 214 09</u>	<u>3 131 95</u>	<u>27 769 73</u>	<u>4 343 61</u>
<u>Fund Balances</u>				
Fund balances:				
Unreserved:				
Undesignated	<u>78 214 09</u>	<u>3 131 95</u>	<u>27 769 73</u>	<u>4 343 61</u>
Total Fund Balances	<u>78 214 09</u>	<u>3 131 95</u>	<u>27 769 73</u>	<u>4 343 61</u>

<u>Lexington Heights</u>	<u>Eden Beach</u>	<u>Supervisor's Emigh Road Plat</u>	<u>District #7</u>	<u>Building</u>	<u>Total</u>
2 506 13	593 95	504 83	159 43	18 254 97	128 573 63
441 12	110 94	14 88	5 78	-	3 581 71
-	-	-	-	-	3 896 07
<u>2 947 25</u>	<u>704 89</u>	<u>519 71</u>	<u>165 21</u>	<u>18 254 97</u>	<u>136 051 41</u>

<u>2 947 25</u>	<u>704 89</u>	<u>519 71</u>	<u>165 21</u>	<u>18 254 97</u>	<u>136 051 41</u>
<u>2 947 25</u>	<u>704 89</u>	<u>519 71</u>	<u>165 21</u>	<u>18 254 97</u>	<u>136 051 41</u>

TOWNSHIP OF WORTH  
Sanilac County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS  
March 31, 2007

	<u>Public Improvement</u>	<u>Liquor Law Enforcement</u>	<u>Great Lakes Shores</u>	<u>Birch Beach</u>
Revenues:				
Special assessments	-	-	24 443 27	4 021 92
Licenses and permits	-	-	-	-
State revenue sharing	5 491 05	2 078 45	-	-
Interest	<u>3 923 50</u>	<u>13 27</u>	<u>211 56</u>	<u>-</u>
Total revenues	<u>9 414 55</u>	<u>2 091 72</u>	<u>24 654 83</u>	<u>4 021 92</u>
Expenditures:				
Public safety:				
Inspections	-	-	-	-
Public works:				
Highways and streets	18 883 34	-	-	-
Watershed	14 038 47	-	-	-
Sewer	21 432 54	-	-	-
Street lighting	-	-	1 191 48	3 283 32
Sanitation	-	-	15 960 00	-
Capital outlay	<u>3 069 39</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>57 423 74</u>	<u>-</u>	<u>17 151 48</u>	<u>3 283 32</u>
Excess (deficiency) of revenues over expenditures	(48 009 19)	2 091 72	7 503 35	738 60
Fund balances, April 1	<u>126 223 28</u>	<u>1 040 23</u>	<u>20 266 38</u>	<u>3 605 01</u>
Fund Balances, March 31	<u><u>78 214 09</u></u>	<u><u>3 131 95</u></u>	<u><u>27 769 73</u></u>	<u><u>4 343 61</u></u>

<u>Lexington Heights</u>	<u>Eden Beach</u>	<u>Supervisor's Emigh Road Plat</u>	<u>District #7</u>	<u>Building</u>	<u>Total</u>
2 581 16	663 48	565 44	162 75	-	32 438 02
-	-	-	-	40 899 00	40 899 00
-	-	-	-	-	7 569 50
-	-	-	-	572 04	4 720 37
<u>2 581 16</u>	<u>663 48</u>	<u>565 44</u>	<u>162 75</u>	<u>41 471 04</u>	<u>85 626 89</u>
-	-	-	-	51 154 61	51 154 61
-	-	-	-	-	18 883 34
-	-	-	-	-	14 038 47
-	-	-	-	-	21 432 54
2 606 16	663 48	565 44	162 72	-	8 472 60
-	-	-	-	-	15 960 00
-	-	-	-	-	3 069 39
<u>2 606 16</u>	<u>663 48</u>	<u>565 44</u>	<u>162 72</u>	<u>51 154 61</u>	<u>133 010 95</u>
(25 00)	-	-	03	(9 683 57)	(47 384 06)
<u>2 972 25</u>	<u>704 89</u>	<u>519 71</u>	<u>165 18</u>	<u>27 938 54</u>	<u>183 435 47</u>
<u>2 947 25</u>	<u>704 89</u>	<u>519 71</u>	<u>165 21</u>	<u>18 254 97</u>	<u>136 051 41</u>

TOWNSHIP OF WORTH  
Sanilac County, Michigan

COMBINING BALANCE SHEET – ALL DEBT SERVICE FUNDS  
March 31, 2007

	<u>Hall Bond Debt Service</u>	<u>Water #1 Debt Service</u>	<u>Water #2 Debt Service</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	-	11 344 50	2 810 683 50	2 822 028 00
Investments	-	-	24 500 70	24 500 70
Special Assessments receivable	-	143 718 13	4 113 128 65	4 256 846 78
Due from other funds	-	18 935 14	2 325 70	21 260 84
Total Assets	-	173 997 77	6 950 638 55	7 124 636 32
<u>Fund Balances</u>				
Liabilities:				
Due to other funds		30 009 08	-	30 009 08
Deferred revenue	-	141 207 37	4 025 876 78	4 167 084 15
Total liabilities	-	171 216 45	4 025 876 78	4 197 093 23
Fund balances:				
Reserved for debt service	-	2 781 32	2 924 761 77	2 927 543 09
Total fund balances	-	2 781 32	2 924 761 77	2 927 543 09
Total Fund Balances	-	173 997 77	6 950 638 55	7 124 636 32

TOWNSHIP OF WORTH  
Sanilac County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS  
AND LIABILITIES- ALL DEBT SERVICE FUNDS  
Year ended March 31, 2007

	<u>Hall Bond Debt Service</u>	<u>Water #1 Debt Service</u>	<u>Water #2 Debt Service</u>	<u>Total</u>
Revenues:				
Special assessments	-	21 864 54	754 943 52	776 808 06
Interest	-	160 55	70 304 35	70 464 90
Total revenues	-	22 025 09	825 247 87	847 272 96
Expenditures:				
Debt service	35 225 00	57 110 36	879 871 93	972 207 29
Total expenditures	35 225 00	57 110 36	879 871 93	972 207 29
Excess (deficiency) of revenues over expenditures	(35 225 00)	(35 085 27)	(54 624 06)	(124 934 33)
Other financing sources (uses):				
Operating transfers in	35 225 00	26 137 46	-	61 362 46
Total other financing sources (uses)	35 225 00	26 137 46	-	61 362 46
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	(8 947 81)	(54 624 06)	(63 571 87)
Fund balances, April 1	-	11 729 13	2 979 385 83	2 991 114 96
Fund Balances, March 31	-	2 781 32	2 924 761 77	2 927 543 09

TOWNSHIP OF WORTH  
Sanilac County, Michigan

COMBINING BALANCE SHEET – ALL CAPITAL PROJECTS FUNDS  
March 31, 2007

	<u>Water #1</u> <u>Construction</u>	<u>Water #2</u> <u>Construction</u>	<u>Improvement</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	131 182 60	109 782 85	3 994 72	244 960 17
Special Assessments receivable	83 969 92	10 441 86	-	94 411 78
Due from other funds	<u>30 009 08</u>	<u>-</u>	<u>-</u>	<u>30 009 08</u>
Total Assets	<u>245 161 60</u>	<u>120 224 71</u>	<u>3 994 72</u>	<u>369 381 03</u>
<u>Fund Balances</u>				
Liabilities:				
Due to other funds	-	18 935 14	-	18 935 14
Deferred revenue	<u>83 683 92</u>	<u>9 889 03</u>	<u>-</u>	<u>93 572 95</u>
Total liabilities	<u>83 683 92</u>	<u>28 824 17</u>	<u>-</u>	<u>112 508 09</u>
Fund balances:				
Undesignated	<u>161 477 68</u>	<u>91 400 54</u>	<u>3 994 72</u>	<u>256 872 94</u>
Total fund balances	<u>161 477 68</u>	<u>91 400 54</u>	<u>3 994 72</u>	<u>256 872 94</u>
Total Fund Balances	<u>245 161 60</u>	<u>120 224 71</u>	<u>3 994 72</u>	<u>369 381 03</u>



TOWNSHIP OF WORTH  
Sanilac County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - ALL CAPITAL PROJECTS FUNDS  
Year ended March 31, 2007

	<u>Water #1</u> <u>Construction</u>	<u>Water #2</u> <u>Construction</u>	<u>Improvement</u>	<u>Total</u>
Revenues:				
Special assessments	26 716 91	10 345 40	-	37 062 31
Interest	<u>3 193 43</u>	<u>2 033 41</u>	<u>24 92</u>	<u>5 251 76</u>
Total revenues	<u>29 910 34</u>	<u>12 378 81</u>	<u>24 92</u>	<u>42 314 07</u>
Expenditures:				
Public works:				
Sewer	<u>-</u>	<u>100 00</u>	<u>4 527 40</u>	<u>4 627 40</u>
Total expenditures	<u>-</u>	<u>100 00</u>	<u>4 527 40</u>	<u>4 627 40</u>
Excess (deficiency) of revenues over expenditures	<u>29 910 34</u>	<u>12 278 81</u>	<u>(4 502 48)</u>	<u>37 686 67</u>
Other financing sources (uses):				
Operating transfers out	<u>(26 137 46)</u>	<u>-</u>	<u>-</u>	<u>(26 137 46)</u>
Total other financing sources (uses)	<u>(26 137 46)</u>	<u>-</u>	<u>-</u>	<u>(26 137 46)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	3 772 88	12 278 81	(4 502 48)	11 549 21
Fund balances, April 1	<u>157 704 80</u>	<u>79 121 73</u>	<u>8 497 20</u>	<u>245 323 73</u>
Fund Balances, March 31	<u><u>161 477 68</u></u>	<u><u>91 400 54</u></u>	<u><u>3 994 72</u></u>	<u><u>256 872 94</u></u>

TOWNSHIP OF WORTH  
Sanilac County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended March 31, 2007

	<u>Balance 4/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/07</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in bank	<u>21 696 16</u>	<u>4 553 463 46</u>	<u>4 572 008 90</u>	<u>3 150 72</u>
<u>Liabilities</u>				
Due to other funds	6 486 92	732 900 05	736 236 25	3 150 72
Due to others	<u>15 209 24</u>	<u>3 820 563 41</u>	<u>3 835 772 65</u>	<u>-</u>
Total Liabilities	<u>21 696 16</u>	<u>4 553 463 46</u>	<u>4 572 008 90</u>	<u>3 150 72</u>
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in bank	<u>8 082 00</u>	<u>1 500 00</u>	<u>5 600 00</u>	<u>3 982 00</u>
<u>Liabilities</u>				
Due to others	<u>8 082 00</u>	<u>1 500 00</u>	<u>5 600 00</u>	<u>3 982 00</u>
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in bank	<u>29 778 16</u>	<u>4 554 963 46</u>	<u>4 577 608 90</u>	<u>7 132 72</u>
<u>Liabilities</u>				
Due to other funds	6 486 92	732 900 05	736 236 25	3 150 72
Due to others	<u>23 291 24</u>	<u>3 822 063 41</u>	<u>3 841 372 65</u>	<u>3 982 00</u>
Total liabilities	<u>29 778 16</u>	<u>4 554 963 46</u>	<u>4 577 608 90</u>	<u>7 132 72</u>

TOWNSHIP OF WORTH  
Sanilac County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
Year ended March 31, 2007

Cash in bank – beginning of year	<u>21 696 16</u>
Cash receipts:	
Property taxes	4 548 861 05
Interest	<u>4 602 41</u>
Total cash receipts	<u>4 553 463 46</u>
Total beginning balance and cash receipts	<u>4 575 159 62</u>
Cash disbursements:	
Township General Fund	169 702 74
Township Special Revenue Funds	28 856 16
Township Water #1 Debt Service Fund	418 46
Township Water #2 Debt Service Fund	502 869 58
Township Water #1 Construction Fund	13 242 85
Township Water #2 Construction Fund	21 146 46
Sanilac County	1 947 936 35
Sanilac County Intermediate School District	374 961 78
State of Michigan	10 359 62
Croswell-Lexington School District	1 414 038 44
Moore District Library	83 364 52
Refunds	<u>5 111 94</u>
Total cash disbursements	<u>4 572 008 90</u>
Cash in Bank – End of Year	<u>3 150 72</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

June 1, 2007

To the Township Board  
Township of Worth  
Sanilac County, Michigan

We have audited the financial statements of the Township of Worth for the year ended March 31, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Worth in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Worth  
Sanilac County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2007.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants